Your story is your own and the education that you're receiving will help you advance it. But you're here because you've also accepted the responsibility of having your story as part of the larger American story. Your story is serving your fellow citizens in the wider world. And my message to you today is simple: Your individual service makes all of the difference. You will make the decisions, large and small, that will help shape our future.

So as we dedicate this building where you and future generations will be prepared to make those choices, remember that the true strength of our Nation comes not from the might of our arms or the scale of our wealth, it comes from the power of our ideals: democracy, liberty, equality, justice, and unyielding hope.

Those ideals are embedded in our national character because generations of Americans have chosen to live them in their own lives, to advance them through their service and through their sacrifice. This is the truth that Lincoln understood, that pragmatism must serve a common purpose, a higher purpose. That's the legacy that we inherit. And that, in the end, is how government of the people, and by the people, and for the people, will endure in our time.

So thank you, God bless you, and God bless the United States of America.

NOTE: The President spoke at 1:28 p.m. in Abraham Lincoln Hall. In his remarks, he referred to Lt. Gen. Frances C. Wilson, USMC, president, National Defense University, who introduced the president; and Dennis Ross, Special Adviser to the Secretary of State for The Gulf and Southwest Asia.

Remarks and a Discussion With the Business Roundtable
March 12, 2009

The President. Thank you. Thank you so much. Please, everybody have a seat. I want to get to Q&A as quickly as possible, so let me dive right in. First of all, thank you. It's a pleasure to be here this afternoon. I see a lot of friends in the room. It's especially important, I think, for us to be meeting today with the Business Roundtable, because the companies that you lead account for nearly 10 million jobs and generate trillions of dollars in revenue each year. Your companies have fueled the prosperity of communities across the country and the success stories of countless individuals. And they've enriched our Nation; they've served as a tribute to the enduring spirit of American capitalism.

But for over three decades, the Business Roundtable is also taking a broader view of your responsibilities as chief executives. You've looked beyond the bottom line and the next quarter to the long-term health of your company. You've not only served as accomplished leaders, but as engaged citizens, citizens who understand that it is in the interest of both your companies and your country to have a workforce that's highly educated, healthy, and prosperous, to have a market that is free, but also fair, and to live in a nation that's willing to invest in its own future. You understand the public responsibility of private enterprise.

It's fitting, then, that we meet at this moment, because over the last few weeks a spirited debate has emerged in Washington, a debate over what it will take to ultimately break the back of this recession and strengthen our economy for the long run. It's a debate that centers on one key question: Does the greatest economic crisis in our lifetime warrant extraordinary action to deal with the array of challenges we face? Or should we limit our efforts and try to deal with them incrementally or one at a time?

Now, let me say that it was not my preference, believe it or not, to launch my administration by passing the largest economic recovery plan in the Nation's history or to face crises in the financial market and the automobile industry. It was not ideal to take office in the midst of the worst job and growth numbers in decades, particularly since we're still in the midst of two wars. But that's the duty I signed on for.

And although my administration did not create these problems, it's now not only my responsibility, but my extraordinary privilege, to help solve them. It's my job to address every challenge that may threaten the strength and vitality of our families, our businesses, and our entire Nation, now and in the future.

We must move quickly and aggressively on the most immediate threats to our economy and financial stability: jobs, housing, and credit. There's no debate about that. And that's why we've already passed a recovery plan that will save and create 3.5 million jobs over the next 2 years, more than 90 percent of which will be located in the private sector, a plan that will also give 95 percent of working families a tax cut that begins by April 1st.

And that's why we've launched a housing plan that will help responsible families lower their monthly payments, a plan that's already helping responsible homeowners save money by refinancing their loans. And that's why we've forcefully attacked the credit lockdown that the help—that the housing crisis helped create.

As all of you know, credit is the lifeblood of a healthy economy. The inability of even creditworthy businesses and consumers to get loans today is a major roadblock to our recovery.

To help get credit flowing again, we've created an unprecedented lending fund in partnership with the Federal Reserve that will help support up to a trillion dollars in auto loans, college loans, and loans for the consumers and entrepreneurs who keep this economy running. We'll soon be announcing more efforts to provide even more lending to small businesses, which are being devastated by this credit crisis.

These are all important steps. But the only way we can truly unlock credit and heal our financial system for good is to address the state of our banking system. And I know that this crisis is at the top of your list of immediate concerns, and I promise you, it is at the top of mine as well.

We all know how we got here. A wave of complex and risky transactions around mortgages and other loans produced huge profits for financial institutions and those who run them until the housing bubble burst. And now some of the Nation's largest banks are holding so-called toxic assets, problematic debt that are dragging down the balance sheets of these institutions with no real market in which to sell them. And this has caused a slowdown in lending. And since finance today is global, the virus has spread worldwide.

Now, it's important to note that there are thousands of banks, large and small, that have made sound decisions and are on solid footing. And all Americans need to know that their deposits are secure. But the weakened condition of some of our largest banks has implications for the entire system, and those weaknesses must be addressed. And critical to that solution is an honest and forthright assessment of the true status of bank balance sheets, something that we've not yet had. And that's why the Treasury has asked bank regulators to conduct intensive examinations, or stress tests, of each bank.

When that process is complete next month, we will act decisively to ensure that our major banks have enough money on hand to lend to people even in more difficult times. And if we learn that such a bank has more serious problems, we will hold accountable those responsible, force the necessary adjustments, provide the support to clean up their balance sheets, and assure the continuity of a strong, viable institution that can serve our people and our economy. Now, I intend to hold these banks fully accountable for any assistance they'll receive, and this time they'll have to clearly demonstrate how taxpayer dollars result in more lending for the American taxpayer.

I also intend to enact tough, commonsense regulatory reforms, equal to the challenges of a 21st century financial system, so that a crisis like this never happens again. And when I meet with the leaders of the other G–20 nations next month, I'll ask them to join us in these actions, because in an age when financial transactions often cross borders, global coordination is essential to safeguard against future crises.

But the truth is that these problems in the financial market, as acute and urgent as they are, are only part of what threatens our economy. And we must not use the need to confront them as an excuse to keep ignoring the long-term threats to our prosperity: the cost of our health care and our oil addiction, our education deficit and our fiscal deficit.

Now, I'm not choosing to address these additional challenges just because I feel like it or because I'm a glutton for punishment. I'm doing so because they're fundamental to our economic growth and ensuring that we don't have more crises like this in the future.

You see, we cannot go back to endless cycles of bubble and bust. We can't continue to base our economy on reckless speculation and spending beyond our means, on bad credit and inflated home prices and overleveraged banks. This crisis teaches us that such activity is not the creation of lasting wealth, it's the illusion of prosperity, and it hurts us all in the end.

Instead, we must build this recovery on a foundation that lasts, on a 21st century infrastructure and a green economy with lower health care costs that create millions of new jobs and new industries, on schools that prepare our children to compete and thrive, on businesses that are free to invest in the next big idea or breakthrough discovery.

We cannot wait to build this foundation. Putting off these investments for another 4 years or 8 years or 12 years or 20 years would be to continue the same irresponsibility that led us to this point. It would be exactly what Washington has done for decades, and it will make our recovery more fragile and our future less secure. And that's a future I don't accept, not for my children and not for yours. I did not come here to pass our problems on to the next President or the next generation; I'm here to solve them. I'm here to start building an economy and a prosperity that lasts.

Now, would I prefer to tackle these challenges without having inherited a trillion-dollar deficit or a financial crisis? Absolutely. But that's a choice that we don't have. I don't like the idea of spending more Government money, nor am I interested in expanding Government's role.

I've always been a strong believer in the power of the free market. It has been and will remain the very engine of America's progress, the source of a prosperity that has gone unmatched in human history. I believe that jobs are best created not by Government, but by businesses and entrepreneurs like you who are willing to take risks on a good idea. And I believe that our role as lawmakers is not to disparage wealth, but to expand its reach, not to stifle the market, but to strengthen its ability to unleash the creativity and innovation that still makes this Nation the envy of the world.

But I also know this: Throughout our history, there have been times when the market has fallen out of balance. There have been moments of economic transformation and upheaval when prosperity and even basic financial security have escaped far too many of our citizens. And at these moments, Government has stepped in not to supplant private enterprise, but to catalyze it, to create the conditions for thousands of entrepreneurs and new businesses to adapt and, ultimately, to thrive.

That's why we laid down railroads and highways to spur commerce and industry, to stitch this Nation together. That's why, even in the midst of civil war, Lincoln launched a transcontinental railroad and land-grant colleges and the National Academy of Sciences. That's why we initiated universal public high schools and passed a GI bill to nurture the skills and talents of all our workers. That's why Eisenhower built an Interstate Highway System and Kennedy pointed us to the moon, knowing that the exploration would lead to unimagined innovations here on Earth.

That's what we've done in the past, and that's why I've chosen to address education, health care, energy, and this budget, because we can't wait to make the investments today that will lead to tomorrow's prosperity. Now, as members of the Business Roundtable, you know how important this is when it comes to each one of these challenges.

On education, I know that you just heard from Arne Duncan. You've all long understood that the success of your business ultimately depends on its ability to hire workers who have the skills and knowledge to compete with other workers and other companies all over the world. You also know that America is increasingly falling behind in that competition. That's why it will be the goal of this administration to ensure that every child has access to a complete and competitive education from the day they are born to the day they begin their career.

We've already dramatically expanded early childhood education, and we will continue to improve the quality of these programs. For as this organization knows, children who receive a quality early childhood education are more likely to attend college, more likely to hold a job, and more likely to earn more in that job.

This budget also creates new rewards tied to teacher performance and pathways for advancement and rewards for success for those teachers. And we're going to invest in innovative programs that are already helping schools meet high standards and close achievement gaps. We've urged States to lift the cap on the number of charter schools they build. And I've asked every American to commit to at least 1 year or more of higher education or career training, with the goal of having the highest proportion of college graduates in the world by the next—by the year 2020.

And to meet that goal, we're investing $2.5 million to identify and support initiatives across the country that achieve results in helping students graduate. And we'll also make sure that a higher education is affordable for every American who wants to go.

Now, this budget also recognizes a reality that you understand as business leaders: In this economy, adults of all ages need opportunities to earn new degrees and skills. So we will work with our universities and community colleges to prepare workers for good jobs in high-growth industries and to improve access to job training not only for young people who are just starting their careers, but also for older workers who need new skills to change careers. That's how we'll create a workforce that will help our businesses compete and win in the 21st century. And that's how we'll create a workforce that is adaptable to a dynamic, global, capitalist system.

Even as we invest in our workers, we'll also need to create the jobs for them to fill. And that's why the second major investment that our budget makes is in the jobs and industries of the future. The recovery plan we passed will ultimately leverage at least $175 billion in private-sector investment, investment in areas like clean energy and small-business development and school construction.

This budget builds on that foundation by making historic investments in science and technology and infrastructure by making permanent the research and experimentation credit, by eliminating capital gains taxes for investments in small business and startups, and by providing the resources necessary to finally spark a clean energy revolution.

We all know that the country that harnesses the power of renewable energy will lead the 21st century. And yet, it's China that's launched the largest effort in history to make their economy energy efficient. We invented solar technology, but we've fallen behind countries like Germany and Japan in producing it. New plug-in hybrids will roll off our assembly lines, but they're running on battery cells made in Korea.

I do not accept a future where the jobs and industries of tomorrow take root beyond our borders, and I know you don't either. It's time for America to lead, and to do this, you and I both know that we need, ultimately, to make clean, renewable energy the profitable kind of energy. We know that the best way to do that is through market-based caps on carbon pollution that drives the production of more renewable energy in America.

I understand that this will be a difficult transition for many businesses to make, and that's why this budget does not account for such a cap until 2012, a time when this economy should be on the road to recovery. And to support this transition, we'll invest $15 billion a year to develop technologies like wind power and solar power, advanced biofuels, clean coal, and more fuel-efficient cars and trucks built right here in America.

Now, the last major challenge we address in this budget is a threat not only to the well-being of our families and the prosperity of our businesses, but to the very foundation of our economy, and that's the exploding cost of health care in America. And I know you had a session with Peter Orszag about this.

For those who believe that this issue is somehow unrelated to our economic crisis, consider the fact that up to 1.5 million Americans could lose their homes this year just because of medical crises. And as everybody in this room is painfully aware, the same soaring costs that are straining our families' budgets are also sinking some of our best businesses or putting enormous strain on your bottom line.

Today, too many small businesses can't even think about insuring their employees, and major American corporations like yours are struggling to compete with foreign counterparts. Companies of all sizes are being forced to ship jobs overseas or shut their doors for good.

Medicare costs are consuming our Federal budget. Medicaid is overwhelming our State budgets. At the fiscal summit we held in the White House a few weeks ago, the one thing on which everyone agreed was that the greatest threat to America's fiscal health is not the investments we've made to rescue our economy, it's the skyrocketing costs of our health care system.

You understand this. For years, the Business Roundtable has worked tirelessly to promote investments in electronic medical records, with strict privacy standards, that will help save money and lives, investments that we have now made in the recovery plan. You participated in last week's White House Forum on Health Reform, proving that this time we find business and labor, medical professionals and patient advocates all on the side—same side of the issue, urging meaningful reform. And you were one of the many organizations that urged us to include health care in this budget, which is why we've made a historic commitment to reform based on the principle that we must bring down crushing costs and provide quality, affordable health care to every American. It's a commitment that's paid for in part by efficiencies in the system that are long overdue, and we will need your help to ensure that it is included in the final budget.

Let me just give you one example: Medicare. For years we've been paying Medicare Advantage Plans 14 percent more than it would cost for the traditional Medicare plan. In this budget, we have a simple idea. Instead of Government setting prices for our seniors, why not have private plans bid for Medicare's business? This competitive bidding is good for businesses, it's good for our seniors, and it's good for taxpayers, because it saves us $177 billion over 10 years.

We've undertaken an unprecedented effort to find savings just like this in every corner of this budget, because with the deficit we inherited, the cost of the recession we face, and the long-term challenges we have to meet, it's never been more important to ensure that as our economy recovers, we do what it takes to cut this deficit in half by the end of my first term in office.

Now, I know that some have questioned this commitment, and I want you to know that I understand the skepticism, because we've heard promises like this before. And it's true that this crisis has compelled us to add to our deficit in the short term. But I ask all of you to look at this budget. Already, we've identified $2 trillion in deficit reductions over the next decade. We've announced procurement reform that will save the Government $40 billion by greatly reducing no-bid contracts. We're going to end education programs that don't work. We will eliminate direct payments to agribusiness that don't need them. We'll root out even more waste, fraud, and abuse in our Medicare program.

So altogether, this budget cuts spending by $1 trillion over the next decade, $1 trillion from where it would be if we just kept on going on our current path. And that will reduce discretionary spending for domestic programs as a share of the economy by more than 10 percent over the next decade. It will be at the lowest level in nearly half a century, lowest level in nearly half a century.

Now, if we wanted to, we could have painted a sunnier fiscal picture in this budget. We could have relied on some of the same gimmicks that our Government has used for the last 8 years, gimmicks that would hide spending on things like Iraq and Afghanistan, gimmicks like assuming that there's never a natural disaster anywhere in the country over the course of a year. Our deficit would appear $2.7 trillion better—had we used those gimmicks—over the next decade.

But I told my team we're not going to do that. We're not just suffering from a deficit of dollars in this Government, we're suffering from a deficit of trust. And I believe that restoring that trust begins by restoring a sense of honesty and accountability to our budget.

Now, while we're being honest, let's also talk about taxes, always a favorite subject. I said in my address to Congress that this is the one issue that always falls victim to the same political scare tactics we've seen for decades. So let me be very clear: If this budget is passed, not one American will see their taxes raised a single dime between now and the end of 2010. All right, so for the next 2 years, your taxes aren't going up—nobody. At that point, at the end of 2010, 97 percent of all taxpayers and 97 percent of all small businesses will still not see a tax increase—97 percent. In fact, 95 percent of all working families will receive a tax cut, so they can buy some of the wonderful products that you make.

For the top 3 percent of all taxpayers—and I'm just going to take a shot in the dark and guess that that includes some of the people in this room—the top tax rate across the board will still be lower than they were during the prosperity of the 1990s. It will still be lower than they were during the Clinton era. You will pay a tax rate on capital gains and dividends that is also lower than it was during most of the 1990s. And the revenue that results from these changes will reduce the deficit by $750 billion over the next 10 years.

Now, there's no doubt that we've had to make some tough choices in this budget, and we're likely to have to make more in the days and months ahead. And you and I won't always agree on every decision or every issue, but I do believe that we know what needs to be done to build an economy that's not just revived from a crisis, but rebuilt for the future, to secure a prosperity that no longer rests on a bubble, but on a firm foundation that will make this country strong and competitive in the 21st century.

That kind of economy, an economy with workers who are highly skilled and highly educated, with a health care system that is efficient and affordable, with energy that is clean and renewable, with entrepreneurs who are free to invest in the next big idea, that's an economy that's built to last. That's a future that's good for business. And this is a country that will lead and prosper for generations to come.

And I look forward to your continued cooperation in building that country, because I have absolute faith that we can get there together. So thank you very much.

So I asked my team for some extra time to make sure that I was able to answer as many questions as possible.

Mr. Chairman of the Roundtable, do you want to start us off?

Private Sector-Federal Government Partnership/Financial Regulatory Reform

Harold McGraw III. I do, thank you very much. And, Mr. President, we really appreciate you taking time to be with us and to give us access to so much of your team throughout the day.

The business community is committed to be a part of the solution. And those millions of jobs that you talked about, you know, largely, as you say, are coming from businesses. And therefore, we want to partner with you in terms of, one, ending this economic crisis, increasing liquidity, and getting smart regulation. And we're with you and Secretary Duncan on the education agenda, workforce development, personnel training, vocational training. We're for affordable and quality health care costs and access to that for everyone.

We certainly want to be able to create that energy independence that you've talked about. And we want to be in a position where we can have the kind of investment in our community by keeping our markets open and having access to markets all around.

So we're committed to being able to do all that and working with you.

During the campaign you talked often about having an open administration, and you were going to push very, very hard for that. There's a misperception, I think, in some people's minds that the relationship between business and the Obama administration is like, well, oil and vinegar in that way. Well, I would like to tell you that, from our standpoint, that couldn't be farther from the truth. Everybody in this room is anxious to see you succeed and wants to be a part of that.

In that end, you know, we have the same common goals right now—jobs, growth, recovery, competitiveness—and as such the ask that I would have for you is that if you would allow us to set up a regular schedule such that the expertise of the chief executives here could work with whoever you designate to be a sounding board, pushing back and helping to form those kinds of opinions.

And thank you again for coming.

The President. Absolutely. Well, look, that's exactly the kind of partnership that we seek. As I said, there are actually a lot of people in this room who our team has consulted with on a regular basis, and we hope to do more of that in the future.

And I know that, you know, John has attended a number of the summits that we've been putting in place. I think you will find that this is actually an administration that also wants you to succeed in the same way that you want us to succeed. As I said before, I am a strong believer in the ability of the free market to generate wealth and prosperity that's shared across the board. I think there are times where sometimes our economy gets out of balance. This is obviously one of those times. And so Government has to intervene in a crisis. But the goals should always be to right the ship and let private enterprise do its magic.

There are going to be a series of fairly complex issues around regulation in the financial markets, which we believe is necessary. I think we've got to—and I assume that many of the people here agree that we've got to update the regulatory framework that was created in the thirties for global markets where trillions of dollars are spinning around the globe with the press of a button. But we are also very mindful that we've got to do those regulatory reforms in a way that doesn't strangle innovation and creativity and entrepreneurship, but deals with the systemic risks that, obviously, we were unprepared to deal with when this latest crisis occurred.

With respect to a tax policy, again, we want to consult with you, because our belief is that we've got to have a stable system that closes the structural deficit that right now is built into the Federal Government. And it's an unsustainable deficit. If we keep on going down this path, at some point, folks who've been financing our ways are going to say, "Enough. We don't want to buy anymore T-bills." And then we've got some problems.

So we're going to work with you on that. We want to do it in a way that encourages work, encourages investment, encourages savings, and makes sure that we're financing what we need out of Government, but no more than what we need.

So on a whole host of these issues, we are going to be actively soliciting your advice and your input. And our expectation is that we can use this moment to create a stronger free market system; one that's more stable, one that's more profitable over the long term. But I think as everybody here recognizes, because you're all thinking about it with respect to your own businesses, this is going to take some time. I mean, we were engaging in a unsustainable model for a very long time, and the bill is now due for a lot of bad habits and bad practices that were built up over the course of many years.

It is complicated, and it is international. And so our focus right now is to stabilize the financial system, get credit flowing again, to project a budget that allows in future years for us to start tackling these very big problems. But we've got to get started now if we're actually going to get there on health care, on energy, and education. And that's what we're trying to accomplish.

Good. Let's see—Sam.

Corporate Taxes and Deferrals

Samuel J. Palmisano. Thank you, Mr. President. Well, first of all, we're very encouraged——

The President. Here, they—we got a mike right behind you.

Mr. Palmisano. On behalf of everyone in the business community, we're very, very encouraged with your words and your support. You've always said that you were committed to the competitiveness of American business. You've always said that you're committed to the competitiveness of our country, and we really appreciate it. Yes, we are in tough times.

I also want to thank you for all the support in the stimulus package. And when we met, you listened to us and you implemented many of our ideas, and your leadership made a difference. So, again, we appreciate it.

The President. Thank you.

Mr. Palmisano. There's one thing that I'd like to mention in that construct of working together and your reaching out, and that is this: how tax structures are used around the world for economic development. All of our trading partners have done this for many, many years; that's part of their industrial policy, we all understand that. You've argued for a fair playing field; we appreciate that.

But what's happened in the past is that there was a thing called the deferral. And the deferral was put in place to normalize all these anomalies. They're all different; they're not the same, so it was put in place for that purpose. So it was a normalization to help American competitiveness.

As you know, in the current proposed budget, there's a consideration around the deferral. We all accept we need to deal with the deficit. I mean, nobody in this room is going to argue we want big deficits. They hurt business, as you know; they squeeze capital out of the private sector. But at the same time, the deferral has been very, very important to this normalization, and it allowed us to compete. So what we really are just asking for, and we mentioned this to Tim earlier today, is just an open dialog to engage, to give you all the facts that we know, why it's so important to us, so just to kind of reach out and take you up on your offer to listen to our point of view.

The President. Absolutely. Good. I will certainly listen to your point of view, because I want American businesses to be competitive. And by the way, at some point—this isn't reflected in our current budget, because we've already got a lot on our plate—but my interest over time in potentially lowering corporate rates in exchange for closing a lot of the loopholes that make the tax system so complex, that's a very appealing conversation to me, and I'd like to pursue it.

With respect to the specific issue of the deferrals, look, it is difficult for, I think, the average American, if they feel as if businesses investing here are paying a higher tax rate than if they're investing overseas. It's just counterintuitive. I think people generally feel like let's encourage and motivate corporations to invest here at home, particularly at a time when there's been significant job loss.

I'm appreciative of the fact that if you are a multinational operation, that you've got all sorts of tax rates that create a lot of headaches and you don't want to end up double-paying where you can help it. So some of this stuff gets pretty technical; let's make sure that you and others, representatives of the Business Roundtable, are working with Treasury to find out if we can find that right balance. I want you to be competitive. I don't want you to be placed at a competitive disadvantage with other countries—or companies from other countries. We also want to make sure that not just from a revenue perspective, but also from the perspective of job creation here at home, that we've got a Tax Code that reflects those values. Okay? Good.

Anne—where's Anne? There you are. Good. I've got a little list. [*Laughter*]

Upcoming G–20 Meeting

Anne M. Mulcahy. Great. Mr. President, thanks for engaging with us this afternoon; it's actually been a very productive day.

You know, on that theme of global companies—and I think lots of us are witnessing further deterioration around the world, and it's worrying, in terms of the business community.

In a few weeks, you're going to meet with G–20 leaders, and an ability to coordinate, to have a set of actions that really are aligned, I think, is important for the health of the world right now.

What's your—what are your expectations, and how feasible is it to have an aligned agenda?

The President. Well, I actually think that it's very feasible. We're actively pursuing it. And I'm having meetings and conversations ahead of the G–20. I already had a meeting with Gordon Brown. I'll be meeting with people like Kevin Rudd from Australia. I met with the Chinese Foreign Minister today in preparations for meeting with President Hu in London, when we get—when we arrive.

I think there are a couple of broad principles that we'd like to see emerging out of the G–20; number one, that the stimulus efforts of all countries are sufficiently robust to deal with the decline in demand. We think that's important. And countries like China, for example, are doing that, and we want to make sure that everybody is mindful that the decline in global demand is enormous and now is the time for us to provide some ballast.

Number two, financial regulation—we think that it's very important that there is coordination, not necessarily a supraregulator, but that there is coordination and effort so that if we are doing some things that are increasing transparency, openness, trust in—on Wall Street, that London is doing the same thing and that other financial markets are doing the same thing, so that we don't start seeing a race to the bottom, but rather we see a race to the top, where we've got a stable global financial system.

A third thing that we have to pay attention to is the situation in emerging markets. We've got some very big problems potentially there. And that is something that the Europeans, for example, should be very interested in, because their banks have enormous exposure to those countries. We've got to pay a lot of attention to it, not only for economic reasons but also for national security reasons.

I mean, if you start seeing a lot of emerging markets collapse, it's bad for business, but it also creates a dangerous international environment. So to that end, the idea of wealthier countries or countries that are running surpluses, have decent foreign reserves, foreign currency reserves, being able to work with the international financial institutions to provide some help in propping up those economies as we climb out of this recession, I think, is going to be very important.

And I just want to make sure that I'm—I'm doing this off the top of my head. The last thing, I think, that we have to pay some attention to is making sure that we're not dropping back into protectionism. I mean, I think everybody understands sort of the history of the Great Depression. So far at least, we're seeing some movement to contain protectionist sentiments in these various domestic markets, but we have to build on that, and I think, having a strong statement that encourages trade and making sure that there are sufficient credit lines for trade, because that's one of the big problems that we've seen right now in terms of world trade is, it's just very hard to—the traditional mechanisms for lending that facilitate trade have really contracted.

So those are all areas that we've got to spend a lot of time focused on. I'm confident, actually, that interests will be aligned here more than they have been in the past. Okay?

Let's see. How about Bill Green? Bill is over here. Do we have a mike?

Education Reform/Trade/Innovation

William D. Green. Thank you, Mr. President, and thank you also for your comments on education over the last several days. It gave us a lot of clarity, and Secretary Duncan did a terrific job of—I think it's one thing that we're very much aligned on because we realize that a competitive country needs competitive companies and in order to do that we have to have a competitive workforce.

There is something that I think it's important that you know. We are launching tomorrow the Springboard Project, which is organized by the Business Roundtable. And what it's focused on, really, is sort of three charges.

The first one is about making sure the education system produces the skills that we need for today's and tomorrow's markets. The second thing is we need to institutionalize lifelong learning. It's absolutely true, we can see that all now, and it needs to be an individual and a collective imperative for our country. And I think all of our citizens and all of our workforce needs to understand that. And the third is, for a problem that's here and now, is we need to facilitate workers in gaining new skills that have been displaced by economic dislocation and other changes in the market, which are going to be a natural occurrence over time. And we need to work forward on that. So we're just looking forward to working closely with your team to make sure we can tackle those. Thank you.

The President. I look forward to that. And you're exactly right that we are going to continue to be the most dynamic economy in the world. And one of our strengths is our dynamism, the fact that we adapt quickly. We got risk takers in this country. That means that sometimes we have higher failure rates, but it also means that we've got greater flexibility and we pursue opportunity.

That is part of the American character that we want to retain. And so I'm amused sometimes when I read, sort of, this talk of, well, you know, "The Obama administration wants to get Government in everybody's business." I don't. I want you guys to do your thing.

What is true, though, is that in the current global, highly competitive environment that the burdens and benefits, the dislocations of that dynamism are disproportionately borne by workers in certain sectors, in certain regions. And that creates great pain, it creates great hardship. And so part of what we want to figure out is how do we make sure that the burdens and benefits of this dynamic economy are spread in a way that maintains strong political and social support for that dynamism.

And so for those of you who are concerned about protectionism, the best way to ensure that we're not seeing protectionist tendencies in this country is to make sure that workers are benefiting from trade. And some sectors are, but some sectors may not be. If we are retraining them, if we're investing in their futures, if, when there are new opportunities in green energy companies are saying, "You know what, let's go to Michigan, or let's go to Ohio"—where you've seen a huge exodus of jobs—"let's go in there and work on developing the new battery or the new solar panel or the new technology that is going to help launch new industries." Now, that is going to be something that I think benefits everybody and benefits your businesses most of all.

So I'm excited about the prospect. That's part of what we've already done in our recovery package, in the recovery and reinvestment package.

Carol is going to be talking to you about some of the stuff we're doing on energy. We've got to train people. Something like the smart grid, which could create huge efficiencies for your businesses as well as individual families, there are a bunch of bottlenecks. Some of it has to do with local siting issues, but some of it just has to do with the fact that finding enough trained electricians to lay these lines. Right now we don't have enough, at a time when we've got huge unemployment out there.

And so figuring out how we're training people for the right jobs, that requires consultation with business. You guys can help us identify what are the particular skill sets that people are going to need so that working with community colleges, universities, vocational programs, apprenticeship programs, we are teeing that up.

Okay. Is Ivan here? Go ahead.

Health Care Reform/Federal Budget

Ivan G. Seidenberg. Mr. President, how are you?

The President. I'm doing well, thank you.

Mr. Seidenberg. Okay, good. And again, on behalf of all of us, thank you so much for being with us today and the energy you're putting into all these issues. It's really encouraging. Health care—your comments on health care were terrific and very enlightening. I think we're all pretty much focused and agree that the costs of health care are way out of line and we need to do something to bring them in line.

We at the BRT have been working on a model, working on a framework to how we move ahead with reform. I'd just like to point out a couple of things to you to get your reaction to it.

We agree that the goal is to not only broaden access, but to lower the cost and improve the quality for everybody. So we start with employer-based health care. We think today most people get health care from their business; a hundred and eighty million Americans do. We can provide not only the current need for their families, but also create the kind of incentives for future well-being and make sure they have good behaviors and deal with all of the kinds of things that create healthy employees, not just today, but for a long time. We can work with the insurance carriers to provide the robust policies and plans that will be out in the marketplace. So it's really important that we start with that framework.

Second thing is to make sure that we have some individual participation. I think it's very important that we don't have a Government plan competing with a private plan and finding out that our employees or the citizens in general could go to a plan that doesn't have the same incentives and requirements and behavioral characteristics to make sure that they do the right things long term.

I think the last thing is the thing that you've mentioned with respect to health IT. There are at least two or three dozen things we can do right now that begin driving costs out. I think the initiative that you approved on health IT is terrific. The quicker we get the systems built and the data collected, we can start changing the system. But we could do more. We could do more with medical reform—medical liability reform. We could do more with, in effect, Medicare and review the—and change the payment systems.

So I think health care reform really is the devil is in the details. And I think if we get the model working correctly, we could make a significant impact on the things that you've articulated today. Thank you.

The President. Absolutely. I think you make a couple of terrific points, so let me just amplify a few. Number one, I think we have a moral obligation to make sure that in a country this wealthy you don't have single moms not able to send their kids to a doctor because they just can't afford it and they don't have insurance on their job.

So I think there's a powerful moral element to health care. I get 10 letters sent to me out of the 40,000 that are sent to me every day to read every night, just so that I'm attuned to what's happening outside my bubble; although somebody pointed out the other day, it's a very nice bubble, but it is a bubble. [*Laughter*] And I would say at least half of them in some ways relate to a individual family crisis with health care; and they're heartbreaking. It has to be dealt with.

But having said that, I also just have a very hard-headed analysis about this, which is the path we're on is unsustainable. If you have 6, 8, 10 percent health care inflation every single year, at some point we are all broke. Businesses are broke or you stop providing health care to your employees. The Federal Government is way broke with Medicare and Medicaid. State governments are groaning under the weight of this stuff. It's consuming everything.

So what that also means though—and this is something I've tried to emphasize to my more progressive friends—we can't simply just add on a whole bunch of people to a broken system, because that's also unsustainable. I mean, we—you can't just take people who are currently uninsured, plop them on to a system that is generating those kinds of costs, not dig into the engine and try to figure out how to make the thing run more efficiently, because then you'll just be broke that much faster. And at some point, you start making very draconian decisions about people losing benefits.

So the cost issue is the thing that we actually think is the big driver in this whole debate. And that's why—I know you heard from Peter Orszag—things like comparative effectiveness, health IT, prevention, figuring out how our reimbursement structures are designed under Medicare and Medicaid, medical liability issues, I mean, I think all those things have to be on the table. And I won't lie to you that everybody agrees on this theoretically, until you start getting to the specifics. And oftentimes though, Ivan, one of the things I'll note is the resistance is not based on evidence, it's based on people's interests. Everybody is kind of dug in. They know that the system doesn't work, but at least it kind of works for them in one particular aspect.

And part of the reason that we did not simply design our own plan and try to jam it down the throats of Congress is we want them to see some of the contradictions in their own positions and, over time, sort through some of those tensions, make some tough choices, working with us. But we think that we've got to get this done now; this is a window.

Not everything is going to be implemented now. And this, by the way, goes to a broader issue with respect to our budget. Because I think there's some people, when we issued the budget, they said, "Boy, these Obama people, they're really ambitious. They're taking on health care; they're taking on energy; they're taking on education. Don't they know that there's this bank crisis right now? We've got to do one thing at a time."

Look, the budget document that we put forward is a 10-year document. We are like any organization; just like all of yours, we have to do long-term planning even as we're addressing short-term issues. If we don't do the long-term planning, then we end up having more short-term issues again and again and again and again.

So we don't anticipate that every piece of health care is done this year. We think that we've got to get the process and get in place a structure and a framework and a funding approach and work out a lot of these details. But it's going to be implemented over time. We're not going to have instant health IT all next year. The same is true on the energy front. Under the cap proposal that we have it wouldn't even start until 2012, where we're going to be out of this recession, or you'll have somebody else speaking to you in 2013. [*Laughter*]

But if we don't start now, if we wait until—to have the debate in 2012, and then suddenly it turns out that oil is at 150 a barrel again, and we say, oh, why is it that we didn't start thinking about this and making some steps now to figure this out? Well, that's what Washington does. You guys could not run your business that way. And so the notion that we are doing some long-term planning now and trying to get this town to think long term, that somehow that's a distraction, just defies every sound management practice that I've ever heard of.

And so we've got some immediate stuff that we've got to deal with right now. What this budget does is it reflects a vision about where we need to go, and I think it's the right vision.

All right, let me see how I'm doing on time. I've got a little more time. I'm going to take at least a couple more questions. Dan Fulton. Is Dan around? Yes, sir. Go ahead.

Carbon Allowance Auctions/Carbon Cap-and-Trade System

Daniel S. Fulton. Thank you for your leadership.

The President. Thank you.

Mr. Fulton. My company, Weyerhaeuser, is committed to addressing climate change, and we've adopted significant emission reduction goals, and we support legislation to establish a cap-and-trade approach to climate change. In your comments you've expressed support for a cap for—with a 100-percent auction of carbon allowances to generate revenue for the Government. In your comments earlier today you also talked about an implementation timeframe of 2012.

I just wanted to comment that a number of us in the business community are concerned that a 100-percent auction will effectively be a tax that would impose significant costs on energy-intensive industries such as some that we operate and may impact existing industries' ability to fund needed investments in no—new low-carbon technologies.

I just wondered if you could explain how the 100-percent auction approach would work in our highly challenged economy, because we're all feeling a lot of pressure today on costs, and yet still preserve jobs for existing industries and strengthen our existing manufacturing sector.

The President. Good. Well, let me start by saying this. I said during the campaign we were looking at a 100-percent auction. We are not going to be able to move this in an effective way without partnership with the business community. No, we just—we can't get it done. And for businesses like yours that are committed to the concept and the idea, we're going to work to make sure that it works for you.

Now, the experience of a cap-and-trade system thus far is that if you're giving away carbon permits for free, then basically you're not really pricing the thing, and it doesn't work, or people can game the system in so many ways that it's not creating the incentive structures that we're looking for. The flip side is, you're right, if it's so onerous that people can't meet it, then it defeats the purpose, and politically, we can't get it done anyway.

So we're going to have to find a structure that arrives at that right balance. We want to create a price structure. Keep in mind that the reason that I'm interested in a cap-and-trade approach is precisely because I think the market makes decisions about these technologies better than we do. You know, for those who are concerned about some heavy-handed, command-and-control regulations coming down the pike, cap and trade is designed to say, you know what, here's a target, here's a price, you guys go figure it out, and if you can make money on it, all the better.

So that's the—that's our goal. That's what we want. And how that pricing mechanism works most effectively to actually influence incentives, but also be sufficiently realistic that industries are thriving as opposed to groaning under the weight of it, I think, is going to be the trick. I'm confident that we can do it. We've done it before.

I mean, keep in mind that when—I'm trying to remember, is—this was back in the seventies or early eighties—I'm getting old enough now where I can't remember—but, you know, the issue of acid rain was around. Everybody thought all your trees were going to be dying; you couldn't make any paper. And we put in an auction system and a trading mechanism and, lo and behold, American ingenuity and American entrepreneurship and inventiveness created options that ended up being much cheaper than anybody had imagined, much cheaper than anybody had imagined.

Now, in the meantime, I just—I was talking to some Members of Congress just yesterday, you know, who were concerned about this, because I'm sure they're hearing from industries and, you know, what does this mean economically, et cetera. I just want to point out, you know—anybody who has been to Las Vegas recently and looked at Lake Mead, or who is familiar with what's happening in agriculture in California right now, or go down to Atlanta, which may not have any water soon, because of what's happening in terms of changing weather patterns, or talk to Kevin Rudd in Australia, that's going to cost us money too. It's just not—it's not priced.

And I'm not somebody who—I've never bought into these Malthusian woe, Chicken Little, the Earth is falling. I tend to be pretty optimistic. I wouldn't be here if I weren't pretty optimistic. But I think this is—the science is overwhelming. This is a real problem. It will have severe economic consequences, as well as political and national security and environmental consequences.

And I'm confident that if we do it smart, if we're talking to you guys, if we're talking to industries, if our projections don't end up being wildly unrealistic, that I think we can handle this problem.

All right. Okay, let me make this the last question.

Dick.

National Economy/Financial Regulatory Reform

Richard D. Parsons. First I'd like to say, it's good to see you.

The President. Good to see you. Here, we got a mike coming up. I think those are turned down right now.

Mr. Parsons. As you know, Secretary Geithner was here earlier today and, I thought, did a terrific job. And as he went through his hastily prepared—but prepared—remarks, I made a little tick mark every time he used the word "confidence" or talked about restoring confidence, until I ran out of ink. I say that somewhat facetiously, but I think he's spot on. I think he's spot on.

We're in a battle in this country now, and maybe in the world, where—between confidence and fear. And it's important that confidence win, because if consumers are confident, they'll spend; and if they're fearful, they won't. If investors are confident, they'll invest; and if they're fearful, they won't. And all the money of all the governments in the world can't replace that, right?

The President. Right.

Mr. Parsons. So I take it down to our industry, the banking business. At its core, it's a very simple business. It takes funds from depositors and other providers of funding, and then it makes that—those funds available in the credit markets. And that's how businesses grow, when people buy homes and send their kids to college, buy cars, and all that sort of stuff.

The President. Can I just say, Dick, it hasn't been that simple lately. [*Laughter*] But in—I get your theory though.

Mr. Parsons. I said at its core.

The President. All right, I'll talk to Jamie. Maybe that's—[*laughter*].

Mr. Parsons. Some folks got carried away, I'll acknowledge that. But the core business is essential to restoring this economy to full vitality. And one of the things the Secretary said was that—he laid out a 4-point program, and he said at the end of the day, though, we're committed to—particularly for those institutions that are core to the financial system—to providing support, so that those essential funders—depositors, bond holders, people who participate in the debt markets—can have confidence that they'll be protected.

I think if those fundamental funders do have confidence, do believe that we're protected in all of this, our money is going to—they will help stabilize the banking system, and then what you talked about earlier will happen—the credit cycle will begin, and then the country and the economy can begin to heal.

I just wondered, does your—among other chiefs, you're the confidence-builder-in-chief—I wondered if you could either elaborate or drive home that point that the Secretary made, because I think it will help us all.

The President. Well, look, this is the most dynamic economy on Earth, and our capacity is undiminished. We've got the same smart folks, and engineers and scientists. We've still got the hardest working workers on Earth. We've got the best universities. We've got all kinds of innovations. And you know what? We've also got a whole bunch of potential customers out there. As bad as the housing market has been, you're starting to see inventories decline.

And there's a young family out there right now who's going to be thinking about buying a home. And if we can get them credit, they're going to buy that home. And if they buy that home, then that construction worker, maybe he comes in and remodels the kitchen. And that means that he can buy the computer for his kid at school. And we're off to the races.

So I am very confident about our long-term prospects. We live in such a rapid-fire, information-rich environment that people's attention spans go like this. And that makes for volatility in confidence. A smidgen of good news and suddenly everything is doing great. A little bit of bad news, oh, we're down in the dumps. And I am obviously an object of this constantly varying assessment. [*Laughter*] I'm the object-in-chief of this varying assessment. [*Laughter*]

So my view—you know, people ask me sometimes, "Well, you seem like a pretty calm guy. How do you do that?" I say, "Well, look, I don't think things are ever as good as we say, and they're never as bad as they say." And things 2 years ago were not as good as we thought because there were a lot of underlying weaknesses in the economy, and they're not as bad as we think they are now.

We're going to restore confidence by, in a very systematic way, getting this financial system fixed. I think Secretary Geithner and Chairman Bernanke and Sheila Bair have done an extraordinary job; it hasn't gotten a lot of fanfare, but the TALF program that's been put in place, the creation of markets once again for some of these securities that are out there so that they can be priced and we can start seeing financing flowing again, the fact that for all the, you know, angst that's been out there, you've got banking institutions that are still functioning and, lo and behold, making profits.

We still have some big problems in the banking industry. That's what these stress tests are about. We are going to make a effective assessment and, even with the worst case scenarios, we're still going to be looking at the vast majority of banks are going to be doing fine and in a position to make profits. Even with the worst case scenarios, even if things stay bad for awhile, the vast majority of these banks are going to be fine.

By the way, depositors are all going to be fine. That's why we've got the FDIC. And so I think Americans understand that their deposits are going to be fine.

The market is going to be responding to all this information out there and, you know, the whole issue of animal spirits in the marketplace and when suddenly a rally catches, you know, you guys know that better than I do. But my focus has to be on the long term. And my long-term projections are highly optimistic, if we take care of some of these long-term structural problems.

The one thing I don't want to do is to replicate the false confidence that was premised on bubbles. And I think that we've really got to think through—and all of you, as critical captains of industry, have to help us think through—how do we prevent this froth that builds up and go back to steady growth, fundamental growth that's based on making things, providing good services, innovating, exporting, as opposed to just borrowing and leveraging? And that is going to be a challenge, and there's going to be some adjustment.

But even with consumers—I mean, we've got this interesting situation where we're actually seeing consumers do exactly what we would have liked them to do, just not all at once, and that's starting to save some, right? Paying down credit card bills, making sure that they've socked away a little bit each month for their retirement, for their kids' college education, that, ultimately, is a positive thing.

We just want to make sure that everybody understands, you know what, you don't have to stop in your tracks here. Things are going to get better. It's going to require some patience. And the one thing that I think our country and our culture will benefit from is an end to short-term gratification and a recognition that, ultimately, you build up value by hard work and dedication and sweat, and there are going to be some bumps in the road and things take time.

But I'm very confident about it, and I hope you are too.

Thank you, everybody. All right.

NOTE: The President spoke at 4:03 p.m. at the St. Regis Hotel. In his remarks, he referred to Secretary of Education Arne Duncan; Peter R. Orszag, Director, Office of Management and Budget; Harold McGraw III, chairman, president, and chief executive officer, The McGraw-Hill Companies; John J. Castellani, president, Business Roundtable; Samuel J. Palmisano, chairman of the board and chief executive officer, IBM Corp.; Anne M. Mulcahy, chairman and chief executive officer, Xerox Corp.; Prime Minister Gordon Brown of the United Kingdom; Prime Minister Kevin M. Rudd of Australia; Minister of Foreign Affairs Yang Jiechi and President Hu Jintao of China; William D. Green, chairman and chief executive officer, Accenture; Assistant to the President for Energy and Climate Change Carol M. Browner; Ivan G. Seidenberg, chairman and chief executive officer, Verizon Communications; Daniel S. Fulton, president and chief executive officer, Weyerhaeuser Co.; and Richard D. Parsons, chairman of the board of directors, Citigroup, Inc.; James L. Dimon, chairman of the board of directors and chief executive officer, JPMorgan Chase & Co.; and Secretary of the Treasury Timothy F. Geithner.

Remarks Following a Meeting With President's Economic Recovery Advisory Board Chairman Paul A. Volcker and an Exchange With Reporters
March 13, 2009

The President. Well, listen, I just had a meeting with Paul Volcker and our business advisory board to discuss a wide range of issues, but with some particular focus on the financial markets. And the thing I want to emphasize is that we are spending every day working through how to get credit flowing again so that businesses, large and small, as well as consumers, are able to obtain credit, and we can get this economy moving again.

As I've said before, that's one of the legs of the stool in rebuilding the economy; the first one, a stimulus package that is going to be hitting the ground and putting people back to work. The second part of this is making sure that not just the banking system, but also the credit system as a whole, is functioning and that we fix some of the plumbing there. We're going to have to do some long-term financial regulatory work, and Mr. Volcker has a range of ideas on that. But that's something that we have to do very carefully. How do we eliminate systemic risks so that this kind of problem never happens again? And finally, we've got to do